

U.S. Defense Strategy: How a Buildup Results In More Being Less

By Walter Pincus
Washington Post Service

WASHINGTON — Of all the political axioms of Washington, one we often forget is to "watch what they do, not what they say." This is particularly true when it comes to the area of national defense.

NEWS ANALYSIS

others have, of course, been saying a great deal about defense, and the president no doubt will speak again in his State of the Union address about how determined he is to strengthen the United States' military capability.

Those who watch instead of listen, however, will make an intriguing discovery: The Reagan administration in the past year actually presided over a significant reduction in strategic nuclear weapons on alert as well as in the development of new weapons for the future.

Beginning Oct. 1, the United States had 31 ballistic-missile submarines in operation, eight fewer than the year before and 10 fewer than allowed under the SALT-I arms limitation agreement with the Soviet Union.

There was only one American B-52 armed with air-launched cruise missiles that was ready to fly as of Sept. 1. The first squadron, which originally had planned to go on alert on that date, will not be ready until December.

One-third of the United States' nuclear explosive capability — sitting on aged Titan-2 missiles — has been earmarked for retirement beginning next year. That is four years ahead of the Carter administration schedule and well before 1986, when the first of their replacement missiles, the MX, are to be deployed.

No significant acceleration is planned by the administration for the D-5 Trident-2 missile, the next generation of submarine-launched missile, which looks now to be the weapon on which Mr. Weinberger is basing his future strategic program.

This lack of acceleration on the D-5 comes despite what is perhaps Mr. Reagan's largest arms-reduction action: his decision to halve Mr. Carter's plan for 200 MX missiles to 100, and then to just 40 in 1985.

The only new weapon in the Reagan plan, the B-1 bomber, will now arrive in 1987, but it will make no significant difference even then in the basic U.S.-Soviet strategic balance of nuclear forces. The still-undefined increase in cruise missiles, to be put on bombers and aboard ships, also will have little effect on the basic nuclear balance.

In short, if a Democrat were in the White House today, conservative Republicans almost certainly would be accusing him of unilateral disarmament.

Much of the Reagan defense

East Timor Priest Appeals For Aid To Avert Famine

SYDNEY — A Roman Catholic priest in East Timor has appealed for \$285,000 for food, medicine and shelter by next June to avert famine in the former Portuguese colony, the Australian Catholic Relief Agency said Monday.

Monsignor Martinho da Costa Lopes, apostolic administrator of Dili, East Timor's capital, said in a letter to the official church agency that crops could not be planted last year because of Indonesian military operations. Indonesia annexed East Timor in December, 1975, shortly after Portugal gave the island its independence. Indonesian forces have been fighting the Fretilin independence movement.

The Australian agency called on the Indonesian government to allow aid groups into the territory to verify the situation. Indonesia last year refused to renew the contracts of the last two aid agencies operating in East Timor — the International Committee of the Red Cross and the Catholic Relief Services of the United States.

Monsignor da Costa Lopes' letter said all able-bodied men aged between 15 and 50 were forced to take part in an Indonesian military operation to flush guerrillas from mountain strongholds and corner them in the central region of Manatutu.

He said those killed during the operation included "innocent children, pregnant women and defenseless people without (having committed) any crime except the desire to be free from all oppression." He said 500 Timorese were killed in one incident, a four-day siege of a local shrine.

Soviet Dissident's Wife Says He Is Mistreated

JERUSALEM — The wife of imprisoned Soviet dissident Anatoli B. Shecharansky accused the Soviet authorities Monday of ill-treating her husband and renewed her call to world public opinion to work for his release.

Avital Shecharansky said at a press conference that her brother-in-law recently visited Mr. Shecharansky in prison in the Soviet Republic and reported that "the authorities often hold him in solitary confinement." Mr. Shecharansky was sentenced in 1978 to 13 years imprisonment on charges of spying for the United States.

Once-Fearful Office Loses Clout Under Reagan

Domestic Policy Shop Is Not the 'Idea Factory' Conservatives Had in Mind

By Howell Raines
New York Times Service

WASHINGTON — In the Johnson, Kennedy, Nixon and Carter administrations, the White House domestic policy shop was prominent and, oftentimes, feared. But President Reagan's Office of Policy Development is obscure and, sometimes, ridiculed.

Among White House aides, there are three explanations about how this came to pass. The most speculative is that Mr. Reagan's cautious advisers, such as Edwin Meese Jr., turned it into a paper-shuffling operation so that true believers in Mr. Reagan's philosophy could not use the office as a launching pad for the president's more radical ideas about reshaping the government.

The most widely accepted explanation inside the White House is that ambitious advisers, such as James A. Baker 3d and David A. Stockman, pre-empted the policy office's power by thrusting the Office of Management and Budget and the Legislative Strategy Group to the forefront of policy-making. The third explanation is that Martin Anderson, the Office of Policy Development's scholarly director, purposely avoided a power role, choosing instead to cast himself as the administration's ideological watchdog.

House Intellectual

"As long as OMB and the Legislative Strategy Group are doing something I don't have to do, that's fine with me — more power to them," Mr. Anderson said in support of this view. "But when they're doing

something I don't agree with, that's when I get involved."

No one doubts Mr. Anderson's influence as the president's house intellectual. The question is whether, in view of internal politics at the White House, the Office of Policy Development can continue in the passive mode.

This question arises because Mr. Anderson's boss, Mr. Meese, lost control of the White House foreign policy apparatus in the wake of the resignation of Richard V. Allen as national security adviser. That leaves the Office of Policy Development as the major staff agency under Mr. Meese's direct control at a time when Mr. Meese's prestige as Mr. Reagan's No. 1 adviser has been damaged by the appearance that his responsibilities are contracting while those of Mr. Baker, the chief of staff, are expanding. Now that the Allen affair is over, a Meese deputy said, Mr. Meese intends to push the policy office to take a more active role in domestic affairs.

Mr. Anderson says he decided to limit the clout of the Reagan domestic policy shop as a result of his work in Richard M. Nixon's White House. There, he recalls, John D. Ehrlichman and his all-powerful Domestic Council reduced the Cabinet to impotence and turned Mr. Nixon's political philosophy into an "intellectual slurry."

Mr. Ehrlichman's shop, he said, was too muscle-bound in dealing with the policy questions and never overcame anti-Nixon forces in the bureaucracy. So, Mr. Anderson said, he has had the Office of Policy

Development form five specialized Cabinet councils to deal with such questions.

As for bureaucratic sabotage, he added, that has been whipped by the appointment of proven Reagan loyalists who are "brilliant, strong-minded and will do what the president wants done."

But is the policy office doing what Mr. Reagan wants done — or wanted done back in the days when he spoke of a far-reaching conservative reformation? No, say a number of White House officials, some in tones of relief, others in dismay. They argue that some Cabinet councils are idea-stuffing bureaucracies. Moreover, these critics assert that Mr. Anderson, in saying that he planned for the policy office to be low key, is simply making a virtue of the fact that he was shoved aside by Mr. Baker and Mr. Stockman, the budget director.

In rebuttal, Mr. Anderson points to shelves of studies ground out in 125 Cabinet Council meetings on 50 subjects. Indeed, virtually everyone agrees that one policy office creation, the Council on Economic Affairs, has played a major role in shaping the budget.

But Mr. Reagan's domestic policy shop is not the idea factory envisioned by his conservative-acivist supporters.

"Meese and Marty think ideas are likely to get you in trouble," said a veteran of Mr. Reagan's campaign. "Meese has no facility for dealing with ideas. Marty's view is that if the government does anything, it's likely to come out wrong."

Drop in Fuel Use Shuts Many U.S. Refineries

By William C. Rempel
Los Angeles Times Service

LOCKPORT, Ill. — People here remember nights when the torch-like flame atop the Texaco oil refinery would flare into a fireball, briefly illuminating the rows of old brick shops along historic State Street in this river-bluff town.

And although there were periodic complaints about the 70-year-old refinery — about emissions that damaged property of its residential neighbors and about whether it was paying its fair share of taxes — that flame cast a warm, comforting glow across the economic landscape of the community.

The refinery was the town's biggest single employer and the area's richest taxpayer. In a region suffering by the recession, it was regarded by many of the town's 10,000 residents to see the refinery

flame still flickering above the Des Plaines River.

But the flame died with the refinery last fall when Texaco U.S.A. reacted to the nationwide decline in fuel consumption and ordered the plant closed.

It was a corporate decision that was repeated dozens of times in cities and towns across the United States last year, the worst year of oil refinery closings since petroleum became the lifeblood of America.

By oil industry count, 50 refineries — many of them small operations — were forced to lock their doors in 1981. They represented a combined daily processing capacity of nearly one million barrels. About one independent refinery in four closed last year.

The rate of closings could leap again this year in the face of a continuing world oil glut, caused in

part because Americans are buying less gasoline. Despite the rash of refinery closings, troubled operators are still trying to juggle a surplus capacity of about 6 million barrels a day.

In Europe, the situation may be even worse. Last year British Petroleum announced it was closing its largest British refinery, as well as other plants in Europe. Industry estimates are that 8 million of Europe's 20-million-barrel-per-day refinery capacity is surplus.

Industry prospects are so poor that the union representing refinery workers in negotiations for a 1982 contract is seeking guarantees that no members of the Oil, Chemical and Atomic Workers union will be laid off as a result of plant closures in the next two years. So far, the major oil companies have rejected that condition.

In fact, Texaco has so far refused to make a contract offer to

employees at refineries in Casper, Wyo., and West Tulsa, Okla., because of "serious questions" about whether the plants will continue to operate.

Nine refineries are closed in both Texas and Louisiana, eight more in California and four in Illinois. In fact, shuttered refineries taken out of operation in 1981 are scattered across all regions of the country. For example:

- Outside Duluth, in Wrenshall, Minn., Continental Oil Co. (Conoco) closed its 23,000-barrel-per-day refinery in May after it had operated for several months of capacity. Experts believe optimal plant operation level is 90 percent of capacity.

- In East Chicago, Ind., the refinery of independent operator Energy Cooperative Inc. was the largest to shut down. The 130,000-barrel-per-day facility was closed in October.

- In Wood River, Ill., just across the Mississippi River from St. Louis, Standard Oil of Indiana (Amoco) ceased operation of its 104,000-barrel-per-day refinery last summer.

- In Chanute, Kan., the little refinery of Mid-America Refining Co. was closed in February, a month after industry decontrol was ordered by the Reagan administration.

- In Buffalo, N.Y., Mobil Oil shut its oldest and smallest (43,000 barrels per day capacity) refinery in Toledo.
- In Toledo, Ohio, Gulf Oil locked up its 23,000-barrel-per-day refinery in early summer and sold the equipment to an independent operator in Houston.

Not all the problems have been beyond the refiner's control, however. Some companies made disaster inevitable by failing to put profits back into plant improvements.

By contrast, the Rock Island Refining Co. of Indianapolis spent \$10 million last year to install the latest in refining technology so that the facility could squeeze more gasoline out of a barrel of crude oil. The 45,000-barrel-per-day refinery is running at about 80 percent of capacity — compared with the national industry average of 67 percent.

House Republicans Urging Reagan To Find Ways to Increase Revenue

By Helen Dewar and David S. Broder
Washington Post Service

WASHINGTON — House Republican leaders, jarred by predictions of staggering budget deficits into a reappraisal of their opposition to tax increases, are urging the Reagan administration to consider some major revenue-raising measures to keep deficits below \$100 billion during the next few years.

Among their suggestions are a tax on the proceeds from further decontrol of natural-gas prices, a tightening of the minimum income tax, repeal of the tax provision approved last year allowing corporations to sell tax breaks obtained on investments and a tax on imported oil, according to several of the leaders.

They are said to have mixed feelings about proposals for federal aid to increase federal

excise taxes on alcohol, tobacco and gasoline. Some leaders fear that such increases may create "more pain than revenue," as one Republican put it, and hit especially hard at lower-income persons.

"Look, we're just saying you ought to consider it some kind of tax increase," Rep. Trent Lott of Mississippi, the House Republican whip, said in assessing the views of Republican leaders as they prepared to meet with President Reagan on Monday. "When you're facing deficits like that, you've got to at least look at all the alternatives."

Rep. Lott was among a group of leading House Republicans, including Robert H. Michel of Illinois, the minority leader, who met Thursday with David A. Stockman, director of the Office of Management and Budget. According to three of the participants, the congressmen came away with the

conclusion that raising taxes may be the only way of avoiding politically intolerable deficits for the foreseeable future.

Some were also described as favoring a slow-down of the huge increase planned for defense spending, along with continued cutbacks in domestic spending, especially for basic-benefit entitlement programs.

But as one of the leaders described the prevailing view, this may not be enough. "We'd like to avoid tax increases if at all possible, but it's not possible any longer if we're going to reduce deficits," he said, adding that "the desire to avoid tax increases is less than the desire to reduce deficits."

This view dovetails with the position of Sen. Robert J. Dole of Kansas, chairman of the Senate Finance Committee, who last week expressed an opinion that taxes must be raised. He said, however, that Mr. Reagan must make the move if Congress is to go along.

Texas City Seeks Rights To New Mexican Water

By William E. Schmidt
New York Times Service

SANTA FE, N.M. — In a lawsuit that could have far-reaching consequences for water law in the U.S. West, lawyers for the city of El Paso, Texas, plan to argue in federal court that the city has the right to drill 326 wells in New Mexico and pump billions of gallons of water back across the state line into Texas.

Officials in New Mexico have rejected El Paso's claim to the water, which is in two huge aquifers that lie mostly under New Mexico. Under a 1953 state law, New Mexico forbids the export of its ground water to other states.

But in September, 1980, El Paso, on the New Mexico border in the arid Texas panhandle, filed suit, challenging New Mexico's export ban as unconstitutional on the ground that it interferes with interstate commerce. The city says it badly needs the water to meet the demands of its rapid growth, which it says will create a water shortage by 1995. Of the nation's 50 largest cities, El Paso, with a population of 450,000, has the fifth highest growth rate.

The city's suit, which will be tried before a federal district court in Las Cruces, N.M., on Monday, has stirred bitter emotions in southern New Mexico, which relies on the underground water and irrigation from the Rio Grande to support one of the state's most prosperous agricultural regions. Here, as in the rest of the semi-arid West, farmers and local officials have historically equated a threat

to their water with a threat to life itself.

The lawsuit has raised concerns beyond New Mexico. Experts from other states say that the decision could affect not only an individual state's ability to oversee its own ground water resources, but also the whole web of agreements and interstate compacts by which states in the dry Southwest and Rocky Mountain regions attempt to apportion their scarce water resources among themselves.

Some state water engineers fear that if El Paso is successful, the suit could leave the door open for one state to raid the ground water resources of its neighbor, if it needs large supplies of water for some municipal or industrial project.

Lawyers for El Paso deny that their suit could have such consequences.

"This case has an interesting but rather narrow implication," said Paul Bloom, a lawyer from Washington, D.C., who once served as counsel for the New Mexico state engineer's office but is representing El Paso in the current dispute. "It is whether a state line can create an accidental or geographic barrier to what is an otherwise cost-effective solution to a water problem."

Kemp Holds Out

The leading hold-out among Republican congressmen now appears to be Rep. Jack Kemp of New York. He repeated Sunday in a television interview that he opposes tax increases to keep down future deficits, which he contended will not be as large as currently projected. Instead of raising taxes or cutting more social programs for the poor, Rep. Kemp suggested reducing some of the "many corporate subsidies" in the budget.

[Rep. Kemp said that Mr. Reagan will reject the advice of senior administration officials and will refuse to raise taxes in 1983 to reduce the federal budget deficit, Reuters reported.]

[In Sunday's interview Rep. Kemp said that raising taxes would "abort" recovery in the economy this summer or early in 1983, and he blamed the Federal Reserve for the present recession.]

While other House Republican leaders stopped short of publicly calling for tax increases to contain the deficit, their willingness to consider revenue measures is significant in light of their resistance last year even to Mr. Reagan's modest package of \$3 billion in so-called "revenue enhancements" for fiscal 1982. Last fall, when deficit projections began soaring, Senate Republican leaders pushed for at least that much in tax increases, but could not win over their House colleagues.

U.S. Military Advisers Reportedly Watched Torture of Salvadorans

By Raymond Bonner
New York Times Service

MEXICO CITY — A 21-year-old who asserts that he is a former Salvadoran soldier says U.S. military advisers were present at two "training sessions" early last year when two suspected guerrillas were tortured by Salvadoran Army instructors.

In a series of interviews, the man, Carlos Antonio Gomez Moo-tano, said the men that he described as Americans attended the sessions as observers and did not take part in the torture. But he said they made no apparent effort to stop or protest the activity, in which a 17-year-old youth and a 13-year-old girl were tortured. He said they were subsequently killed, but not in the presence of the U.S. advisers. Their bodies, he said, were dumped on a street in San Salvador.

Mr. Gomez, who asserted that he fled from his paratroop unit at Ilopango Air Force Base outside San Salvador in May, said he had recognized the Americans as being from a group of U.S. military advisers who arrived in El Salvador a few days earlier.

The sessions, which he said were known as "torture classes," took place late last January, he added.

Mr. Gomez, who lives in exile in Mexico, also charged that the Salvadoran Army routinely mutilated the bodies of suspected guerrilla sympathizers and dropped others in the sea from helicopters.

Report Denied

A senior Defense Department official and a former commander of the U.S. military group in El Salvador denied that U.S. military personnel in El Salvador had witnessed any torture sessions.

They also said that U.S. soldiers sent to El Salvador were specifically instructed beforehand to discourage the practice of torture when talking to their Salvadoran counterparts. Each is under instructions to report any incident of torture that he sees or learns about, they said.

Mr. Gomez's account could not be independently corroborated. He was unable to provide documentary evidence that he had belonged to the Salvadoran armed forces — he said he discarded all proof of identity when he deserted — but in seven hours of conversations he revealed a knowledge of military life in El Salvador that lent credibility to his story.

And, in a second interview, after the Defense Department denied, he provided additional details to support his assertion that U.S. military advisers attended the class. He noted, for example, that he was soldier No. 97 of the first section of the 2d Parachute Squadron at Ilopango and said he was able to recall the serial number of his G-3 automatic rifle, No. 83781. He also gave names of officers and noncommissioned officers he said were in his squadron.

Col. Rafael Bustillo, commander of the Salvadoran Air Force, said that Mr. Gomez's name did not appear in any military records and that "therefore this man has no basis for his accusations since he was not a soldier here at the time."

But other military sources said that official files confirmed that Mr. Gomez was recruited Nov. 1, 1980, and deserted in the early spring.

In private, U.S. officials have expressed concern about undisputed violence by the Salvadoran security forces, although under the Reagan administration they have not publicly accused the Salvadoran military of torturing prisoners.

According to Mr. Gomez, eight U.S. military advisers, some in uniforms of solid green and others in jungle camouflage fatigues, stood in the shade with the Salvadoran Air Force commander and several other senior Salvadoran officers during the torture sessions.

Mr. Gomez said the U.S. advisers, who were about 30 feet in front of where he and about 260 other soldiers were lined up to watch the session, wore out wearing name tags. He said he did not know their ranks.

Before the Americans arrived in mid-January, he said, his battalion was told by Salvadoran officers that, in addition to the rifles and other weapons being provided by the United States, members of the "famous Green Berets" were being sent as "new instructors."

There was a military ceremony to welcome the advisers, Mr. Gomez said, adding that some wore green berets when they arrived. But he said they did not wear their berets when they watched the torture session.

In addition to the soldiers who were introduced as Green Berets, Mr. Gomez said, there were other U.S. military personnel at the Ilopango Air Force Base who wore solid green flight suits.

The Defense Department spokesman said that at the time of the reported incidents there were 14 U.S. advisers stationed at Ilopango, all helicopter technicians and pilots. They said there were also five communications specialists in El Salvador last January, but they were not stationed at the air force base.

A U.S. Embassy spokesman in San Salvador said that these five men were officers from the Special Forces — Green Berets — unit of the U.S. Southern Command in Panama. They were sent to El Salvador in response to a guerrilla offensive that began last Jan. 10, the spokesman added.

33 Abducted Peasants Killed in Guatemala

GUATEMALA CITY — Thirty-eight peasants kidnapped Friday have been found dead in northern Guatemala, police said.

The peasants were forced from their homes in San Francisco el Tablon, near the Mexican border, by armed men who fled after setting fire to several houses. Police said Sunday that the victims were tortured and then shot.

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Aid for Nicaragua

As it looks to its second year, the Reagan administration apparently plans to continue with its truculent policy toward Nicaragua: a suspension of aid and mutterings about possible reprisals if a hard-pressed Managua turns east — or even to France — for guns and sympathy.

A second course is possible. Why not promise resumed U.S. help once the Sandinista regime acts on its democratic pledges, starting with a broad amnesty for political prisoners? And why not welcome contacts that tie Nicaragua to other democracies, like the \$16-million arms deal with France?

It may indeed be the aim of the ruling Sandinistas to turn Nicaragua into a totalitarian state. But their dominion is not yet absolute. A stubborn democratic opposition continues, its strength rooted in the still-potent private sector of a mixed economy. And despite official intimidation, the press in Managua continues to speak out bravely.

As reports by our colleague Warren Hoge make plain, the United States' icy hostility has bred despair among its natural democratic allies in Nicaragua. "All this verbal aggressiveness doesn't help our case at all," says Alfonso Robelo Callejos, the most outspoken opposition leader. "What it is doing is building up pressure on the [Reagan] administration itself to act, and if they ever act in a military way... it would mean the end of the democratic forces in Nicaragua."

One way to help these forces is to offer to resume U.S. aid if specific conditions are met, such as freeing three businessmen re-

cently jailed for criticizing the junta. Another way is to encourage every possible tie between Nicaragua and European and Latin democracies.

Washington strongly favors generous Western help for the mixed economy of Managua, led by an avowedly Marxist prime minister. Why should Nicaragua be viewed so differently?

Secretary of State Haig would no doubt reply that Nicaragua is buying too many weapons from the wrong countries and permits a disturbing flow of arms to guerrillas in El Salvador. But Americans cannot so easily dismiss Nicaragua's security fears as long as it is being attacked from Honduras by exiles trained in Florida camps. And better that it should purchase helicopters from France than from the Soviet bloc.

True, El Salvador's guerrillas have a moral claim on the Managua junta, and may also be getting guns from it. But there is no proof of large-scale smuggling across borders. Since Nicaragua denies any significant traffic, it should be willing to allow appropriate international investigation to settle this vexing dispute. Why not proposed just that, as a condition for renewing U.S. aid?

The direction of Nicaragua's revolution, not yet three years old, is still ambiguous. For a year, a U.S. diplomacy of pique has not produced very impressive results. If Washington wants to keep Nicaragua on a pluralist path, a touch of nudge may be worth more than a ton of menace.

THE NEW YORK TIMES

Switch on the Draft

One of Washington's favorite sports is catching presidents in post-election switches. Candidate John Kennedy repeatedly promised in 1960 to end discrimination in federally assisted housing with "the stroke of a pen." It took 21 months for President Kennedy to make good. Candidate Carter resisted decontrol of oil and gas prices. President Carter, to his great credit, led the long and fierce battle to decontrol both.

Now everyone is having fun introducing Candidate Reagan to President Reagan regarding draft registration. The emphasis on contradiction is probably inevitable, but it distracts from an important question: Does the United States need registration?

Reagan could not have reversed himself more plainly. Carter revived draft registration after the Russians plunged into Afghanistan. A meaningless gesture, Reagan said then: "Perhaps the most fundamental objection to draft registration is moral." Now, he finds a fundamental argument for draft registration, and it is practical: "It could save the United States as much as six weeks in mobilizing emergency manpower."

Regardless of which side of the argument one prefers, there's something appealing about Reagan's ability to swallow pride for practicality. Would that he behave as flexibly when it comes to the need for new taxes.

Why did he feel compelled to change his mind? No meter is ticking, no law or order expiring. Was it the decline in registration in recent months? Was it budget decisions that

must be made just about now? Or was it, as in the case of Jimmy Carter and Afghanistan, a diplomatic card to play, this time concerning Poland?

The administration insists that Poland had nothing to do with it; while the registration decision may have symbolic overtones, the motive was practical. If registration would in fact save six weeks in an emergency, it would be very hard to argue with. But the argument would be much more persuasive if the administration had documented that case. It would be more effective still if presented in a larger context of what to do in an emergency. The U.S. second line of defense in an emergency is not raw recruits, but reservists, and their depleted ranks are not mentioned.

The registration announcement also skirts what may be the hardest draft question: equity. The military services could not absorb more than a fraction of the 4 million people who now turn 18 each year. Who should serve? There may be no fair way to draft for the military. But there is a fair solution — require all young people to serve in the military or in a national service corps.

Finally, though Reagan insists that registration "does not foreshadow a return to the draft," he provides no definition of the kind of emergency that would justify a draft. Without one, the most important question remains. It is not whether Reagan has switched to support draft registration, but whether he has switched to support the draft.

THE NEW YORK TIMES

After Golan, What?

Syria, aggrieved by the Golan annexation, has gone on an emotional tear at the United Nations and is pushing a resolution so extreme that up to a half-dozen other Security Council members besides the United States may decide to sit it out. It is as though President Assad had answered a plea from Prime Minister Begin for a demonstration of Syrian frenzy to remind the world how futile it is for Israel to be expected to make peace with such a state. So, in that forum, the Israelis may get off scot free.

Syria's spate of diplomatic self-mutilation, however, is not the end of the matter. The reality remains that, notwithstanding its promise in UN resolutions and elsewhere to put up territory to trade for peace, Israel has decided in the instance of Syria to pocket the territory. That makes a farce out of its renewed negotiating invitations to Syria.

What people inside and outside Israel are wondering now is whether the Golan annexation was a dry run to move toward outright annexation of the West Bank. Intent aside, Israelis might come to see it as that if the Golan costs were not too high. That is where there is room for worry. Having been reminded that he had not explicitly warned against annexation of Golan, President Reagan offered a first explicit warning against annexation of the West Bank. But the relative mildness of the concrete steps he took — suspending the strategic memorandum and some financial favors — did not particularly reinforce his warning.

The Israeli foreign minister, moreover, has since stated Israel's insistence to "protect at

all costs its independence of decision and action" on 1) boundaries and on 2) "the most effective ways of safeguarding our security." What else, one might ask, is there?

"The minister grants the United States' right to disagree," he protests, though, what he sees as a Reagan pattern of "punishments in reaction to every manifestation of disagreement." The United States is held strictly to the fine print when it comes, say, to the procedure of suspending the strategic memorandum. Israel, however, can ignore its political obligations to the United States. Mr. Begin appears to believe that all this will somehow redound to Israel's advantage.

The circumstances in which these larger differences can be eased are not in view. That leaves the United States and Israel, and Egypt, focused narrowly on the Palestinian autonomy talks. Perhaps, for now, that is enough. The administration is considering how it might propel these talks along to a satisfactory conclusion.

What is satisfactory? The Israeli standard is simply an agreement that Egypt agrees to. For that it asks Washington to induce the Egyptians to "negotiate." The United States, however, seems to be coming to accept the Israeli standard, which is an agreement that starts drawing Palestinians in. The Israelis reject that standard, claiming it gives the Palestinians a veto. They, the Israelis, want the veto. But Camp David, which Mr. Begin signed, promised the Palestinians a role in this phase. The United States should do what it must to see that they get it.

THE WASHINGTON POST

Budget Betrayal: Reagan's Deficit

By William A. Galston

The writer, a visiting fellow at Yale University's Institute for Social and Policy Studies, is associate professor of government at the University of Texas at Austin. He wrote this article for The New York Times.

NEW HAVEN, Conn. — Even if the president accedes to the selective tax increases urged by his senior economic advisers, the U.S. government will incur huge deficits for the remainder of his administration. The willingness to tolerate unbalanced budgets betrays a principle that Ronald Reagan has espoused throughout his political career. Worse, it is wrong in theory and dangerous in practice. Whatever supply-side economists may say, deficits do matter.

To begin with, deficits raise operating costs. If the government runs a deficit of \$100 billion and borrows to pay its bills, then, assuming an average interest rate of 12 percent, annual expenditures are \$12 billion higher than if taxes had been increased to cover the deficit. And because the debt is never repaid, this extra expense is incurred not once but every year in perpetuity.

Second, deficit breeds deficits. By boosting annual interest payments, each successive deficit increases the difficulty of achieving a balanced budget and forces the government to borrow more, just to cover the interest on the debt. If projected deficits totaling more than \$300 billion are not slashed further, interest costs will rise by at least \$40 billion between now and 1984. As the economist Alan Greenspan has said, "Unless we rein in the forces of deficit expansion, they could proceed in a geometric fashion."

Third, deficits spur inflation. Some economists contend that as long as the government does not "monetize" the deficit — that is, as long as it sells bonds for money already in circulation rather than printing new money — it will increase neither the money supply nor the inflation rate. But this argument rests on an unrealistically narrow understanding of what constitutes money.

The federal government will never retire the bonds it issues. Rather, they will be rolled over — reassured at the prevailing interest rate — as they come due. Thus, government bonds become a kind of money, an additional way of making claims on future goods and services. To expand the permanent national debt is to increase demand. Unless the supply of goods and services rises commensurately, the result can only be higher inflation.

Fourth, deficits raise interest rates. If, as the administration contends, the substitution of deficit-financed borrowing for taxation will accelerate economic activity, it will surely raise the private sector's demand for capital. Private and public-sector borrowing requirements will then collide, sending interest rates soaring, unless the deficit diminishes at least as much as private demand increases — an improbable combination at best.

Supply-siders offer two arguments, not always clearly distinguished from each other, in support of deficits that stem from tax reductions.



First, they say that by augmenting the capital available for private investment, the money not taken in taxes will stimulate economic growth, increasing the government's revenue base and moving the budget toward balance at lower tax rates. But this contention is invalid. If the government must borrow what it has not appropriated in taxes, these funds are not available for private investment.

Second, supply-siders argue that lower tax rates will increase incentives for innovative entrepreneurs, who are ultimately responsible for higher productivity and growth. This contention is probably true — but how true? Just to recover the added interest costs stemming from the tax-reduction deficits, these tax breaks would have to increase the overall growth rate of our \$3-trillion economy, which averaged 3 percent over the past decade, by nearly half. A jump of this magnitude is highly improbable.

Supply-siders have urged Reagan to discard traditional economic conservatism in favor of a new strategy, one that is more in tune, they argue, with political realities as well as with the requirements of economic growth. But this "new" strategy is just the latest version of our political system's perennial vice: the avoidance of hard choices.

Unless Reagan has the courage to reaffirm his long-held conviction that deficits do matter, and to draw the necessary conclusions for his tax policy as well as his spending program, he will lock the economy on course toward an economic Dunkirk.

Tiger and Pussycat In the White House

By Joseph Kraft

WASHINGTON — Ronald Reagan enjoys a reputation as a fierce tiger in asserting U.S. interests. But foreign leaders repeatedly come away from sessions with the president claiming he is a pussycat, too nice even to mention disagreeable subjects.

This discrepancy has generated troubles with close friends that contribute further to the decline of U.S. influence. So one of the acid tests for William Clark, in his new role as the president's national security adviser, is to achieve a melding of the hawkish image with the dovish record.

The visit of Chancellor Helmut Schmidt last week provides the most recent evidence. The White House spread the word that Reagan drove home to Schmidt dissatisfaction with Bonn's failure to support the sanctions invoked by the United States against Russia after the military crackdown in Poland. But the president did not mention to Schmidt any of the gut issues — West Germany's gas pipeline deal with Russia, the fragility of U.S.-Soviet arms control talks, the danger that public opinion might force a reduction of U.S. troops in West Germany.

So Schmidt left Washington believing that the United States had been won over to his viewpoint, and that Washington now regretted the sanctions. All that remains, in Schmidt's view, is to give the protests against the Polish crackdown a decent burial, which he hoped to accomplish at the NATO foreign ministers' meeting in Brussels.

The visit of Menachem Begin last September is another case in point. Reagan did not raise the single most neuragic issue in Middle Eastern politics — Israeli treatment of the Palestinian Arabs in the occupied territories. So Begin left convinced that he had a green light on the West Bank. It is not altogether surprising that he has been throwing his weight around, nor that he feels betrayed when the administration rebukes Israel.

The visit of Zenko Suzuki fits the same pattern. He and Reagan celebrated an understanding to

limit the export of Japanese cars to the United States. But Reagan did not press with Suzuki much bigger questions about Japan's role in the world. So the Japanese feel they have a right to be less than totally responsive to U.S. pleas for a bigger military effort. They can at least claim they have a reason for balking on limiting other surges of exports.

As a final example, there was a meeting between the president and the active leader of Saudi Arabia, Crown Prince Fahd, at the Cancun summit in October. Prince Fahd emerged with a virtually limitless U.S. backing. In that spirit, he pushed publicly to line up an Arab consensus behind the eight-point plan for settlement with Israel that bears his name.

But when the consensus failed, the Americans claimed that Fahd had acted primarily at British instigation. The United States reacted only very mildly when Israel drove home the failure by annexing the Golan Heights, which would have been a central subject for negotiation under the Fahd plan. Now the prince has pulled back from Washington, and Saudi Arabia is busy mending fences with Arab countries — Syria, Iraq, Libya — that are hostile to the United States.

Exactly why a president so renowned for toughness should behave so mildly is not clear. Maybe Reagan and his political advisers feel he has to live down his hard-line reputation in the interests of pleasing U.S. and world opinion. Maybe, as Richard Nixon once intimated, he is too "genial." Maybe, as the right-wingers assert, he has been taken in by the "softies" at the State Department. Maybe he is too ill-informed to go to the mat with foreign leaders on touchy subjects.

Whatever the reason, the outcome is perverse. The Soviet empire should now be experiencing terrible internal strains because of the crackdown in Poland. Instead, efforts to deal with the crackdown have caused the United States and its friends to fall out.

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El Salvador and Similarities Between the Superpowers

By Flora Lewis

PARIS — A lot of people in Europe, but also in the United States, have been asking the question: Is there really a similarity between the Soviet-supported military regime in Poland and the U.S.-backed junta in El Salvador?

The tendency has grown in recent years to talk about the two superpowers as though their similarities go much further than parallel nuclear might and their differences add up to little more than ideological language.

While Leonid Brezhnev was in Bonn, a few weeks before the Polish coup, a left-wing German deputy told me that "the Poles want their superpower to stop telling them how to live and we want ours to stop telling us how to die."

Mirror Image

The idea of a U.S.-Soviet mirror image had a great deal to do with the swelling European peace movement. If Westerners demonstrated against U.S. but not Soviet weapons, it was because many accepted the idea that one should oppose one's own titan, not the one dominating the other side.

It is a pernicious habit to make these parallels and it weakens the cause of democracy. But it has grown because U.S. policy has been so erratic and the Soviet policy so predictable. In Vietnam but also in Latin America, which is often compared to Eastern Europe as the Western superpower's backyard.

Rather than using Soviet acts elsewhere as justification for U.S. intervention in the Western Hemisphere in the name of resisting Communism, it is essential that the United States make the differences in superpower behavior fully clear.

There are many differences. An important one is the U.S. Congress and its capacity to represent the voters in supervising policy. Last summer, as the public temper rose against military involvement in El Salvador, House and Senate committees voted overwhelmingly to attach some stringent conditions on military aid for that murder-ridden country.

The conditions were attached to the foreign aid bill President Reagan signed into law Dec. 29. They included a requirement that the aid be cut off unless the president could certify within 30 days that the situation in El Salvador had changed.

The final wording of the bill was quite specific. It obliges the White House to "dis-

cuss fully and completely the justification" for determining whether El Salvador has complied with each of the legal conditions.

Reagan must show that El Salvador:

"1. Is making a concerted and significant effort to comply with internationally recognized human rights; and
"2. Is achieving substantial control over all elements of its own armed forces, so as to bring to an end the indiscriminate torture and murder of Salvadoran citizens by these forces."

"3. Is making continued progress in implementing essential economic and political reforms, including the land reform program.
"4. Is committed to the holding of free elections as to early date and to the fact has demonstrated its good faith efforts to begin discussions with all major political factions in El Salvador which have declared their willingness to find and implement an equitable political solution to the conflict, with such solution to involve a commitment to:
"a. A renunciation of further military or paramilitary activity; and
"b. The electoral process with internationally recognized observers."

"5. Has made good faith efforts both to investigate the murders of six U.S. citizens in El Salvador in December 1980 and January 1981 and to bring to justice those responsible for those murders."

Democratic Rep. Stephen Solarz of New York has now received information that the administration plans baldly to certify that all this has been done.

In fact, the violence has escalated. "There has been no systematic or sustained effort" to leash the rightist murder gangs, Solarz says. There have been no political negotiations and the junta has maintained its demand that the insurgents lay down their arms before talking.

Without a presidential finding that all conditions have been met, the \$25 million in weapons and \$1 million for military training provided in the law must be withheld. The real purpose of Congress in setting these requirements was not to bind the government's handling of foreign policy but to provide it with tools to press the Salvadoran junta into curbing its extremists. They haven't been put to much use as yet.

A certification pretending there have been

real improvements would not only be a gross bowing of truth, it would signal to official assassins in El Salvador and all the blood-soaked countries of Latin America that the United States doesn't care who is killed with its arms.

It would also signal to people around the world that the will of Congress may not

mean much more than the Supreme Soviet's rubber stamp. If the administration goes through with its plan, Congress can't do anything but refuse more money in next year's foreign aid bill. But in the meantime, the United States will have lost another part of its credibility and there will be more questions about how much difference there is between the superpowers.

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'Oh, oh...'

Yes, Polish Military Rule Makes Debt Repayment Likely

By Anthony Sampson

The writer, a political analyst and author, contributed this article to The New York Times.

LONDON — The political crisis in Poland cannot be separated from the financial crisis and the mountain of foreign debt. But before the West becomes too moralistic and dogmatic about the need to shut off credit, we should recall how that mountain of debt was first built up.

Western governments and bankers began lending to Warsaw in the late 1960s and early 1970s with remarkable readiness and eagerness. When Edward Giersek became there really in 1970 after the food riots, he looked to Western banks to finance Polish industry. Poland had the richest mineral resources in Eastern Europe, but also incompetent planning and management, and much of the money disappeared into the consumer boom or into Communist coffers.

Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not require anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

In their anxiety to lead, the bankers and their governments were influenced by two convictions. The first was that prosperity would help wean Warsaw away from its dependence on Moscow. The second was that the loans were safe because Poland came under Moscow's discipline.

David Rockefeller, expanding the influence of Chase Manhattan through Eastern Europe, explained: "In terms of straight credit risk, the presumption is that there is greater continuity of government in certain Socialist states than in non-Socialist states."

Of course, the two assumptions were really contradictory: the more the Poles asserted their independence, the less certain the Moscow "umbrella" would be. By the late 1970s the bankers were much more worried about the Polish economy. Yet they were still eager to lend to Socialist states. In 1977, the Chase led a \$600-million loan to Eastern Europe, including Poland, to finance a gas pipeline, though it knew very little about how the money would be used.

The crisis and strikes of 1980 brought the contradictions in the bankers' attitudes into the open. U.S. bankers were praised for the courage of the Polish trade unionists who were taking the West literally by challenging the Communist state. But they were also becoming

more worried about who was ultimately responsible for Polish debts, for Warsaw was outside the orbit of the International Monetary Fund, the traditional "financial policeman" for the West, and Moscow would not be eager to bail out rebellious Poles.

Poland began to look like the banker's ultimate nightmare — a huge debtor with no one to guarantee the debt.

Several bankers in London admitted to me that if the Soviet Union's tanks rolled into Poland, they would feel rather relieved.

Through last year, the bankers' predicament became steadily more worrying. Poland owed about \$26

billion to the West — about \$16 billion to commercial bankers. "Never before," said The Financial Times last month, "will such a large amount of sovereign debt have been so manifestly exposed to formal default."

Now that the Poles are imposing their own harsh discipline, the bankers are in a still more embarrassing position.

They cannot evade the fact that military rule makes their loans more likely to be repaid. How far Gen. Wojciech Jaruzelski, the Polish leader, represents any kind of national independence from the Soviet Union, no one can be sure. But certainly it is not the kind of

independence that the bankers had in mind a decade ago.

In this context, bankers can hardly take a moralizing attitude about refusing any new credit. For they have behaved in the last 10 years in a way that any private debtor would dread: pressing loans on a customer without seriously investigating whether he can repay them, then, when the spending spree ends in bankruptcy, trying to wash their hands of it.

The Western bankers and governments always knew, in their heart of hearts, that "financial discipline" in the Communist world means military discipline. It is pure bumbling to clamp down on any financial help because that terrible logic has now become clear.

Jan. 12: From Our Pages of 75 and 50 Years Ago

1907: U.S.-Cuba Campaign

HAVANA — An open campaign to make Cuba an American protectorate has begun here. The Daily Telegraph announced this morning, under the heading: "On behalf of Cuba," that it will publish daily an article by a prominent Cuban writer, José de Armas, dealing with the existing political situation and its demands. The arguments of Mr. de Armas, who is an ardent supporter of the protectorate idea, are to appear in Spanish, owing to the keen interest of Cubans in the campaign to save the country from the ruin threatened by politicians desiring another republic. This step shows the effect of the New York Herald's exposure of the situation in Cuba.

1932: Vote on Hindenburg

BERLIN — Adolf Hitler, the Fascist leader, and Alfred Hugenberg, the Nationalist leader, today agreed to inform Chancellor Brüning that the re-election of President von Hindenburg by the Reichstag would be unconstitutional. It is believed that this decision of the extreme Nationalist opposition, which is considered as a serious political defeat for Brüning, will make a presidential election by a national vote inevitable. Although it is generally taken for granted that von Hindenburg will be re-elected, the success of the Hitlerites in obliging the chancellor to withdraw his proposal is regarded as adding considerably to the prestige of Hitler and his followers.

Herald Tribune

Published with The New York Times and The Washington Post

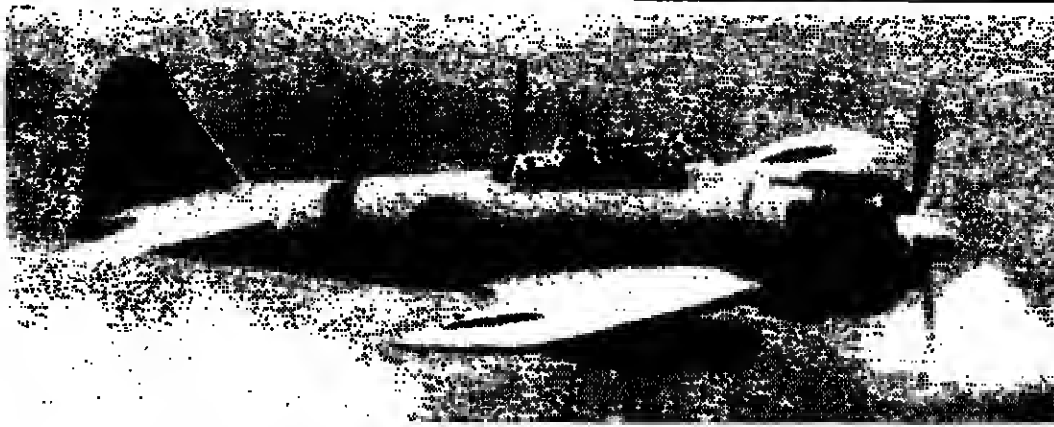
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Horikoshi's Zero, which ruled the skies at start of World War II.

Jiro Horikoshi Dies; Designed Zero Fighter

TOKYO — Jiro Horikoshi, 78, designer of the Zero fighter that ruled the Pacific skies at the outset of World War II, died of pneumonia Monday in a Tokyo hospital.

Mr. Horikoshi was an aeronautical engineer who designed several military aircraft in the 1930s, but his best was the Zero, a single-engine fighter that had exceptional firepower for its time and could outfly every U.S. combat plane in

67, who flew one in China, in the attack on Pearl Harbor and in Pacific battles. "With the Zero, we just never had any enemies in the air."

The Zero's only real problem, Mr. Shiga said, was that its thin skin — a sacrifice to speed and agility — made it highly vulnerable to gunfire.

Only in 1942-43, when the U.S. Navy's Grumman Hellcat and Vought Corsair and the Army's Lockheed P-38 Lightning went into service, did the Zero begin to meet its match.

According to a book on the Zero, only eight still exist — six in museums in the United States and two in Japan.

An engineering graduate of Tokyo University, Mr. Horikoshi had joined Mitsubishi in 1927. He also was a professor at the Defense Institute and at Nippon University.

Paul Lynde — **HOLLYWOOD (UPI)** — Paul Lynde, 55, a comedian who appeared often on television, was found dead at his Los Angeles home Sunday night, apparently of natural causes.

Lazar Weiner — **NEW YORK (NYT)** — Lazar Weiner, 84, a composer and a cr-



Jiro Horikoshi

ponent of Jewish music, died Saturday. Mr. Weiner, who was born in Russia, composed hundreds of Yiddish songs, as well as liturgical music, cantatas and operas, including "The Golem."

Frank Van der Veer — **GLENDAL, Calif. (UPI)** — Frank Van der Veer, 60, an Academy Award-winning cinematographer probably best known for his special effects in "Star Wars," "The Empire Strikes Back" and "Towering Inferno," died Thursday.

Concern over Vietnam — Thailand, which maintains close relations with the United States, is especially concerned about a large Vietnamese military force stationed in neighboring Cambodia.

But Gen. Saiyud said that the immediate threat of a Vietnamese incursion, such as the one that occurred in June, 1980, has lessened.

"There are fewer refugees along the Thai-Cambodian border, less confusion. Before, there was still the momentum of the Vietnamese invasion of Cambodia. Now, things are under greater control and the Vietnamese know what they can do," he said.

Gen. Saiyud, who was named the armed forces commander last year, repeated that the Association of South-East Asian Nations would not force a military alliance.

Mr. Ghazali is an experienced pilot and was flying to his parliamentary constituency, about 150 kilometers (90 miles) northeast of here. He was Malaysia's home affairs minister from 1973 until he took over the Foreign Ministry in a Cabinet change last year.

Malaysia Reports Minister Survived Crash

KUALA LUMPUR — Malaysian Foreign Minister Tan Sri Ghazali bin Shafie has survived a plane crash that killed the other two men aboard, the national news agency, Bernama, reported Monday. He initially had been reported killed.

The 59-year-old minister was piloting his light plane when it crashed into a hillside in the jungle near here Sunday. How Ghazali survived the crash is still not clear, although police sources said that

he jumped from the plane before it hit the hillside.

Police had relied on radio reports from rangers lowered through the thick jungle foliage to the crash site which said that the bodies of the men aboard the aircraft had been found and that one was alive.

Arm Injured — Mr. Ghazali had been presumed dead after the wreckage of the six-seat Cessna plane was spotted on the hillside Sunday night.

Toxic Chemicals Now Being Studied As Causes of Behavioral Problems

By Joanne Omang
Washington Post Service
WASHINGTON — Toxic chemicals in the environment may cause widespread behavioral and mental as well as physical problems, but under existing law tests for these subtle effects are rarely performed, the American Association for the Advancement of Science was told.

A panel of scientists outlined recent findings that many chemicals besides lead and mercury affect the brain and nervous system, often indirectly.

This is "a major new frontier in toxicology research," which previously has focused mainly on the cancer-causing effects of chemicals, Bambi Batts Young, of the Center for Science in the Public Interest, said Friday.

A recent "truly alarming" study by the National Center for Health Statistics found lead levels high enough to require medical treatment in 2 percent of all white children and 12 percent of black children, with 18.5 percent of inner-city black children so affected, she said.

"We've known from antiquity that lead can cause incurable mental damage. Unfortunately, we're still letting it happen," she told a news conference.

She said even small doses of lead cause distraction, vagueness, difficulty in following directions and a decline in intelligence test scores.

Dr. Bernard Weiss, professor of toxicology at the University of Rochester, New York, said lead is so widespread in the environment that nobody is lead-free, making it impossible to set up a controlled experiment on the effects of small doses. He said it comes from auto

exhaust, the solder in food cans, paint and other sources.

If the drug thalidomide had caused a 10-percent decline in intelligence instead of grossly deformed infants, we might never have noticed it, Mr. Weiss said.

U.K. Official Says China Is Studying Hong Kong Lease

HONG KONG — Chinese leaders are studying the problem of Hong Kong's lease to Britain but do not wish to endanger the British colony's prosperity, Britain's deputy foreign secretary, Humphrey Atkins, said here.

Speaking Sunday after a four-day visit to China, Mr. Atkins said Chinese leaders recognized the need to solve issues raised by the lease, which will leave most of Hong Kong's territory under Chinese rule when it expires in 1997.

Mr. Atkins, a Cabinet minister with special responsibility for Hong Kong affairs, said Chinese leaders would consider the economic advantages of Hong Kong as a financial center in deciding its future. He emphasized, however, that Chinese leaders had not decided what approach to take.

Mr. Atkins also said he raised with Chinese authorities the problems caused by the large flow of immigrants from China to Hong Kong.

Hong Kong was ceded by China to Britain in 1841 and has been under British administration since then, except during World War II, when it was occupied by the Japanese.

Recent research supports earlier theories that some chemical food additives tend to make some children overactive, he said.

Alcoholic Babies

Dr. Charles V. Voorhees, of Children's Hospital in Cincinnati, said one in every 750 U.S. and European babies is born alcoholic, a rate equal to that of infants born with Down's syndrome (mongolism).

Fetal alcoholism, he said, is "probably the most common known cause of mental retardation," yet there are no systematic tests for the problem. Research is now conclusive that more than one ounce of pure alcohol a day, or two stiff drinks, causes some mental deterioration in adults, he added.

Dr. Kent Anger, chief of behavioral research at the National Institute for Occupational Safety and Health, said the agency plans a September conference on ways to test new chemicals for behavioral and nerve effects.

"Neurotoxicity needs to be a basis for the regulation of chemicals," he said.

The brain has been found to have receptors for chemicals that previously were thought to affect only other parts of the body, reported Dr. Ellen Silbergeld, of the National Institutes of Health.

The female hormone estrogen, for example, appears to alter the behavior of male rodents as well as their sex characteristics. Other chemicals do not affect the brain directly, but disrupt the formation of some essential blood compounds, the loss of which does affect the brain, she said.

Thai Military Asks U.S. to Step Up Aid Cites Vietnam, Russia as Threats

The Associated Press

BANGKOK — The commander of Thailand's armed forces, Gen. Saiyud Kerdop, said Monday that "Vietnam as a proxy of the Soviet Union" presented the greatest security threat to his country, and urged the United States to be more flexible in providing military aid to Thailand.

He said in an interview that Thailand was too weak to do anything about the growing Soviet naval presence in Southeast Asia. He called the buildup a part of the superpower conflict. "I'm afraid the aim of the Soviets in the South China Sea is to check U.S. interests in this region," he said.

Gen. Saiyud said the United States should step up its military grants to Thailand and "follow one of the principles of war — flexibility" in supporting his country. He suggested that Washington might lend certain weapons systems — such as anti-tank and anti-aircraft weaponry — to the Thai for training purposes.

The loan of such weapons, he said, would serve notice to Vietnam and the Soviet Union that the United States and others were willing to come to Thailand's aid in "emergencies."

Gen. Saiyud said Thailand is expected to receive less than \$80 million under a special preferential credit arrangement, and less than \$12 million in direct grants to include training of Thai military personnel in the United States.

Concern over Vietnam — Thailand, which maintains close relations with the United States, is especially concerned about a large Vietnamese military force stationed in neighboring Cambodia.

But Gen. Saiyud said that the immediate threat of a Vietnamese incursion, such as the one that occurred in June, 1980, has lessened.

"There are fewer refugees along the Thai-Cambodian border, less confusion. Before, there was still the momentum of the Vietnamese invasion of Cambodia. Now, things are under greater control and the Vietnamese know what they can do," he said.

Gen. Saiyud, who was named the armed forces commander last year, repeated that the Association of South-East Asian Nations would not force a military alliance.

Mr. Ghazali is an experienced pilot and was flying to his parliamentary constituency, about 150 kilometers (90 miles) northeast of here. He was Malaysia's home affairs minister from 1973 until he took over the Foreign Ministry in a Cabinet change last year.

He urged frequent consultations among ASEAN military leaders about the military apparatus in their own countries, more compatibility in logistics systems and co-operation in military training.

Reagan Proposes Doubling Budget For Navy by 1983

Washington Post Service

WASHINGTON — President Reagan will ask Congress next month to more than double the Navy's shipbuilding budget from \$8.8 billion this year to just under \$19 billion in fiscal 1983, sources said.

This big jump, part of Mr. Reagan's record peacetime military budget, sources said Sunday, is expected to be hotly debated because of the growing vulnerability of American warships to Soviet nuclear weapons and the cost of building a 600-ship fleet.

Critics for years have accused the Navy of planning its fleet on the shaky assumption that any future war would be fought with conventional, not nuclear, weapons. But the Navy has recently acknowledged that it must change its thinking in this regard.

The president is proposing to build two nuclear aircraft carriers costing \$3.5 billion each; two Trident missile submarines for \$1.2 billion each, and three Aegis CG-47 cruisers for \$1 billion each.

In addition, the shipbuilding plan for fiscal 1983 calls for construction of two Los Angeles class nuclear submarines, an LSD-41 landing ship for the Marine Corps, two FFG-7 light destroyers, a hospital ship and modernization of a World War II battleship and overhaul of a carrier. Mine laying and cargo ships are also included in the new budget.

Pirates, Aid Dispute Haunt Vietnam Refugees

By Barbara Crossette
New York Times Service

WASHINGTON — Nguyen Tien Hoa says he escaped from Vietnam in mid-November aboard a 50-foot boat that carried about 75 refugees, more than half of them women and children.

By the end of the month, Mr. Hoa, 31, wounded, distraught and alone in a disabled vessel with his 10-year-old brother, drifted ashore in Malaysia, where the boy died of shock and untreated injuries.

A few days later, Mr. Hoa told a U.S. diplomat in Kuala Lumpur what had happened. It was a chronicle of repeated attacks, robbery, torture, rape and murder at the hands of Thai pirates. In a subsequent message relaying the account to the State Department, the U.S. Embassy in Malaysia said, "For unrelieved, repetitive brutality, the story is one of the worst we have heard."

Mr. Hoa's story provided State Department Asian specialists and refugee officials with what one diplomat described as a first-person account of what is already evident in some worrying statistics.

Figures compiled by the Office of the UN High Commissioner on Refugees show that there were 14 documented incidents of mass murder of Vietnamese refugees in Thai waters in 1981.

199 Recovered — UN figures also show that in the first 10 months of the year, 289 refugee boats were attacked — with, on average, more than three attacks per boat. There were 484 known deaths or murders and 583 identified rape victims.

In addition, 199 women and girls were recovered from Thai houses of prostitution to which they had been abducted. Officials emphasize that they believe these

figures represent only a part of the problem.

Since September, Thai naval vessels have virtually stopped patrolling Thailand's approximately 600 miles of coastline, U.S. diplomats say. In September, a 1980 agreement between Thailand and the United States, under which Washington provided the money necessary for the Thai patrols, expired.

Negotiations to renew the agreement foundered last summer, officials say, because Thailand wanted a larger grant. After the International Committee of the Red Cross brought to international attention the plight of the unprotected Vietnamese, the UN refugee commission began an effort to arrange an internationally financed program to replace the Thai-U.S. accord.

Although Bangkok has agreed in principle to that program, refugee officials said last week that the

Thais were continuing to ask for more than the \$3.6-million package the United Nations had proposed. Thais are also apparently balking at a UN request to have a committee of foreign diplomats in Bangkok monitor the program.

The United States has pledged \$600,000 to the international effort. Other contributions include \$285,000 from Australia, \$266,650 from Norway, \$220,000 from Switzerland and \$100,000 each from France and West Germany.

Meanwhile, the waters off Thailand are unpatrolled, although the United Nations has already purchased three 40- to 45-foot patrol boats, some small motorboats and a few small patrol aircraft for use by the Thais.

The UN commission has also arranged for some posting along the coast of its own employees — a function well outside the normal role of refugee officials.

China Publishes Works of Rehabilitated Liu

By Christopher S. Wren
New York Times Service

PEKING — A significant new book has gone on sale in China, culminating the rehabilitation of Liu Shaoqi, the former chief of state who died in disgrace after becoming a prime scapegoat in Mao's Cultural Revolution.

The appearance on Sunday of the first volume of Liu Shaoqi's selected works, of which more than one million copies have been printed, comes 22 years after Mao himself proposed their publication. Liu was then China's titular president, ranking behind Mao, who was chairman of the Communist Party. Liu was generally regarded as Mao's political successor.

But Mao later accused him of operating a "bourgeois headquarter"

in the Communist Party. Liu was expelled from the party, stripped of his government and party posts and jailed. He died of pneumonia while in solitary confinement in November, 1969. The oblivion to which he was consigned was such that his death was only confirmed two years ago.

Under Deng Xiaoping's leadership, the veteran Communist once officially revived as a "renegade, traitor and scab" is now hailed in his new book's introduction as "a great Marxist-Leninist and proletarian revolutionary."

The Chinese news agency, in announcing last week the book's coming publication, called it "an important treasure house of theory for the Chinese Communists and the Chinese people."

Liu's old revisionist crimes in

advocating material incentives to develop industry and agriculture, which labeled him as China's "biggest capitalist roader," represent the kind of logic behind Peking's pragmatic new economic reforms.

The book, which was published Sunday in one hard-cover and two paperback editions, is a compilation of 38 selected speeches, articles, letters and telegrams spanning a quarter-century of work up to 1949, when the Communists took over China.

Although 22 selections have not

been published before, they do not appear to break new ideological ground in discussing such disparate issues as workers' movements, guerrilla warfare, land reform and economic construction.

The significance of Liu's newly published works is that they further dilute the original tenets of Mao by adding to the body ideological literature that the Communist Party considers vital. Selected writings of the late premier, Chou En-lai, were published previously, as have been some key speeches by Mr. Deng and Chen Yun, another deputy party chairman specializing in the economy.

While Peking still gives lip service to the thoughts of Mao, once enshrined as quotations in the famous little red book, it treats them as a compilation of the Chinese party's conclusions and not as individually inspired.

Last week's announcement of the publication of Liu's selected writings called it "a valuable record not only of his meritorious service to the cause of liberation of the Chinese people, but also of his outstanding contribution to the formation and development of Mao Tse-tung thought, which is the crystallization of the party's collective wisdom."

Pueblo Skipper Says He Asked '68 Hearing

United Press International

POWAY, Calif. — The former skipper of the spy ship Pueblo, captured by North Koreans in 1968, says he wanted a public court-martial at the time to find out if the White House and military chiefs mysteriously aborted a rescue mission.

The Navy's secret report, "The Pueblo Affair," declassified last week after 13 years, indicates that military leaders were so incensed over the incident that they, too, wanted the skipper, Comdr. Lloyd Bucher, publicly court-martialed as an example.

"There just was no way I was going to come out of that thing without being the goat," Comdr. Bucher said Sunday.

But the former skipper, now retired and living in this San Diego suburb, said he wanted a court-martial anyway because he believed high-level Washington officials, including someone in President Lyndon B. Johnson's White House and the Joint Chiefs of Staff, ignored his pleas for help from the Pueblo.

He also said a court-martial might have shown that the military communications system "failed miserably" when he radioed that North Korean gunboats were holding the Pueblo at bay.

One of the Pueblo's crewmen was killed and 11 were injured in the attack. Comdr. Bucher and his 81 surviving crewmen emerged as heroes after 11 months of imprisonment, during which the skipper and others were tortured.

Help From Okinawa — Comdr. Bucher recalled that after his plea for help, the commanding general of the U.S. Air Force in Okinawa dispatched a flight of F-5 fighters to attack the North Korean gunboats.

"But when the planes landed in South Korea to refuel, an order came through that held them back," Comdr. Bucher said. "The order calling them back was never investigated in the inquiry."

He said the declassified report sheds a new light on who was responsible for calling back the U.S. jet fighters.

The Navy report notes that the five admirals appointed to judge Comdr. Bucher in the inquiry charged that he "failed to ensure before going to sea that his crew was properly organized, stationed and trained." It also held him responsible for not carrying enough explosives for scuttling the ship.

Comdr. Bucher retorted that he was under orders not to load the explosives and when he insisted, he still was refused delivery of the charges.

The admirals also faulted Comdr. Bucher for not using the

ship's single machine-gun and small arms to fire at the enemy "through portholes or from vantage points on deck." The Pueblo was shelled with 125 rounds of heavy ammunition and an estimated 20,000 rounds of smaller cannon and machine-gun fire.

"I would just as soon have shot those people, but we couldn't shoot across the room and were under orders that under no circumstances were we to be provocative," Comdr. Bucher said.

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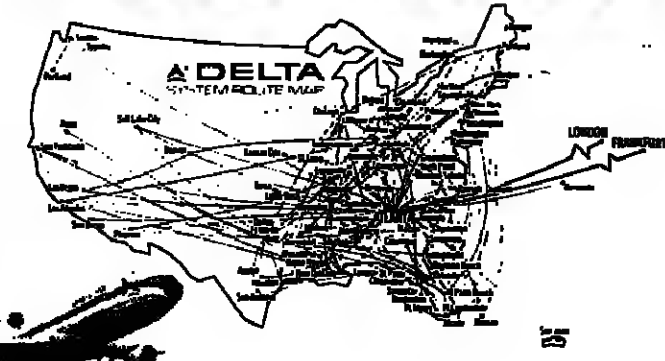
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Money Woes Fail to Dampen N.Y. Museum's Art Plans

By Grace Glueck
New York Times Service

NEW YORK — "The master plan for the Louvre," points out Philippe de Montebello, director of the Metropolitan Museum of Art, "took more than three centuries to complete. We aim to finish

ish ours in a somewhat shorter span of time."

In this era of inflation and recession, however, de Montebello refuses to speculate on just when the Met's plan, announced in 1970, will be finished. But, with the opening Feb. 3 of the Michael C. Rockefeller wing for the art of Af-

rica, Oceania and the Americas, there remains only the last projected structure, the Southwest wing and garden court, to house 20th-century art as well as European decorative objects and sculpture. When the museum finds the money — projected at \$25 million two years ago — to put it up just west of the Rockefeller wing, it will build no further on its Central Park land, according to a promise made in 1970 by the Met's chairman, Douglas Dillon.

Meanwhile, de Montebello said in a recent interview, the Met is carrying on its "grand design" internally, concentrating on the reinstallation and display of its permanent collections and finding new ways to emphasize them. For museum-goers, this policy will result in some notable events at the Met in the months ahead. Besides the Rockefeller wing, for example, there will be the completion of the Egyptian galleries (summer, 1983), the commencement of work on new galleries for Japanese art (same year); and the completion of galleries for the Ancient Near East collections (1984). Temporary shows that are either drawn from or substantially enhanced by the permanent collections include the just-concluded "The Art of the Mamluks"; the Costume Institute's current "The 18th Century Woman"; "Curator's Choice: Museum Purchases for Under \$5,000" (Jan. 26), and "In Search of Alexander" (next fall).

Fewer 'Blockbusters'

The increasing emphasis on the permanent collections means fewer of the "blockbuster" loan shows mounted during the previous regime, headed by Thomas Hoving, according to de Montebello. "As we devote more space to the permanent collections, we are losing flexibility for doing temporary shows. The kinds of things we're doing now are smaller in scale and more a vehicle for our own collections."

Concentration on the collections has led Met curators more and more to augment loan exhibitions with objects from the museum's own holdings. For "The Art of the Mamluks," a touring show of three centuries of Islamic art, de Montebello said, "We went to our own collections and found we could add close to 80 pieces. We'll do more and more of this sort of thing — take exhibitions from other museums and contribute from our own resources." He also cited the forthcoming "In Search of Alexander" show of Greek antiquities, sponsored by Time-Life Books and the National Bank of Greece, which will appear at the Met in the fall. (Originally the Met had declined the exhibition on grounds that its contents did not live up to the Met's standards.) "We were able to effectuate enough changes, both in terms of additions and deletions, that the exhibition became desirable," de Montebello said. "We have added about 50 glorious objects."

Even though the museum has

tempered its presentation of new and often expensive exhibitions, the director said, such shows are still necessary. "First of all, they're educational," he noted. "If I say Sycilian gold to you now, you have an idea of what it is from having seen our show of it in 1975. The same for Thracian art, which we showed in 1977. Secondly, we have two audiences: the people who say, 'Oh, there's a new show at the Met; let's go,' and another audience of members and scholars and such who come to look at particular objects in the permanent collections. I believe in that: I think of a museum as a place to drop in on, to stay for 15 minutes, if that's all the time you have, in a particular gallery. I want people to come for repeat visits. But at the same time, we can't lose the audience for special exhibitions, because they are led through them to the permanent collections."

He dismissed reports that the Met's attendance figures were down during the last year. "You can't look at such figures on a year-to-year basis," he said. "It's not like corporate profits. There's a limit to our capacity, and we've reached a yearly average of between 3.1 million and 3.4 million persons. It's been fairly constant for 10 years, if you take five-year averages."

He acknowledges, however, that intensifying competition for private sponsorship, at a time of recession, inflation and federal cutbacks in arts funding, makes the mounting of special exhibitions increasingly difficult. "Right now, we're about to cancel a major show

for lack of funding," he said. "A show on the Hague School of Dutch painting of the 19th century that we were planning to do in conjunction with the Louvre, the Royal Academy, and the Gemeentemuseum in The Hague." The museum's request for \$250,000 to mount the show had been turned down by "over 30 corporations," he said, "a number of which stated that they were giving money to other arts institutions."

Finances 'Unsatisfactory'

Overall, the Met's financial picture is "unsatisfactory," the director noted, with a current deficit of \$1.3 million, occasioned by a number of factors, among them inflation, recession, and the opening of five new facilities since March, 1980, among them the André Meyer Galleries for 19th-century French art, the American Wing, and the Astor Court. A museum-wide job freeze has been initiated, and there is still the necessity to keep one-third of the galleries closed, on a rotating basis, during weekdays. The museum is aggressively trying to raise money on various fronts, and is studying the feasibility of a large-scale endowment drive. "It's not that contributions have decreased," says de Montebello, "but that our appetite and voracity have increased. With the cost of a single light fixture now at \$150 and \$15,000 for painting a large gallery, the \$10,000 end-of-the-year gift we receive doesn't go as far as it used to."

The director acknowledged that he had concurred in the Met's de-

cision not to sell in its bookshop the recent controversial work by Thomas Hoving, "King of the Confessors," on grounds that it gave "a misleading impression of the museum's acquisitions policies." The book dealt with Hoving's pursuit, as a young curator in the Met's medieval department, of the 12th-century ivory known as the Bury St. Edmund's Cross, acquired by the museum in 1963. Among other incidents, it recounts Hoving's breaking into a glass case at the Bargello, the sculpture museum in Florence, to examine an ivory plaque he thought was related to the cross; and also deals with what Hoving said was the clandestine removal from Italy of a stone relief for acquisition by the Met.

'Damage to Hoving'

"It's true that 90 percent of the book does damage to Hoving, more than to the museum," de Montebello said. "But I was in the course of negotiating for several exhibitions and exchange programs with the Italian cultural authorities, and suddenly he comes out with this book." (The Met's relationship with Italian cultural authorities had been strained since the museum's acquisition in 1972 of the Greek vase known as the Euphronios krater. It was alleged by Italian authorities that the vase had been smuggled out of Italy.) "I felt that it was prejudicial to our relations with Italian cultural authorities, and it put me in the position of having to explain to them the degree to which I feel the book stretches the truth and sensationalizes."



Nigerian mask will be displayed in Michael C. Rockefeller wing.



Bronze of veiled Greek dancer will appear in Alexander show.

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The U.S. West: Sunshine, Good Times and More Suicides

By Jay Mathews
Washington Post Service

LOS ANGELES — It has been seen for decades as a mecca for explorers and entrepreneurs, a place of sunshine, good times and pleasant retirement, but the West has a darker side: the highest suicide rate in the nation.

Explanations for this curious contradiction have been as numerous as psychiatrists in Beverly Hills and, in sorting them out, researchers have begun to puncture some myths about the causes of suicide, including the possibility that chemicals in the brain may underlie suicidal tendencies.

Conclusions

Among the other conclusions and theories formed in a series of new suicide research projects:

• Heavy migration to the West, bringing a high proportion of disturbed personalities looking desperately for change, may provide an essential clue to the high suicide rate.

• San Francisco, long considered the U.S. suicide capital, may have a high suicide rate not because of its famous bridges and unconventional lifestyles but because of its small size, large elderly population and an active coroner's office that uncovers suicide as a cause of death in more cases than do other jurisdictions.

• Cultures that discourage public emotion and disapprove of children attending funerals, such as West Germany, may have much higher suicide rates than more de-

monstrative ethnic groups, such as the Irish, and whose differences may continue for the first one or two generations in the United States.

The combination of many of these factors may infect many Westerners with what might be called the Meriwether Lewis complex, after the famous explorer of the Louisiana Territory, who lost his father at age 5, tried to work out his emotional troubles by exploring the West and apparently committed suicide at 35.

• Suicides do not increase in December, despite suggestions that many people are unusually depressed during the holiday season.

The most recently calculated annual rate of suicides in the western United States is about 17.7 per 100,000 population, compared with 13.8 in the South, 12.3 in the northern and central states and 10 in the Northeast.

Howard Kushner, a San Diego State University historian studying the connection between suicide and migration, said, "When new people get here and find that the change of place does not solve their problems, they may take the next step, suicide. You might look at the West as the next-to-last stop."

Brain Chemistry

Kushner has joined a group of San Diego scholars, including psychologists, sociologists, neurobiologists, epidemiologists, biochemists, pathologists and historians, in planning a massive

study of 350 San Diego suicide victims.

The study, if funded, would include what University of South Carolina sociologist and suicide expert Ronald Maris called the most interesting new approach to the suicide issue: brain chemistry.

At the Salk Institute in La Jolla, near San Diego, researchers have devised a new way to detect norepinephrine and serotonin, two chemicals in the brain that appear to influence moods in humans.

John Morrison, a neurobiologist at the institute, said experiments in Sweden have shown a decrease of serotonin in the cerebral spinal fluid of patients who later committed suicide, but so far it has been difficult to detect such chemicals in the brain.

Maris, past president of the American Association of Suicidology, said chemical studies may offer the first chance in some time for an improvement in the treatment of potential suicide victims.

Prevention Centers

Suicide prevention centers in Los Angeles and San Francisco have helped stimulate an interest in the subject, and may also have led to improvements in identifying suicides that has resulted in an increase in the reported rate, Maris said.

Richard Seiden, a suicide expert at the University of California at Berkeley, said his research indicates that the higher suicide statistics here accurately reflect a higher proportion of Westerners taking

their lives. But he added that the high suicide rate in San Francisco, now about 27.5 per 100,000 population, may have been augmented somewhat by an active coroner's office.

In fiscal year 1981, San Francisco medical examiners performed autopsies on all but one of the 1,815 cases referred to them, or 22 percent of the city's 8,300 deaths in that period.

In Washington, D.C., where the suicide rate was only 9.1 per 100,000 population in 1980, the medical examiner's office performed autopsies on only about a third of the 3,020 cases referred to it, or about 15 percent of the city's 6,982 deaths.

Drugs Preferred

San Francisco, unlike Washington, Los Angeles and the nation as a whole, reports that drugs are overtaking firearms as the most popular method of suicide, another indication to Seiden of more careful pathological work.

In his research, Seiden said, he was able to rule out the presence of San Francisco's many "bridges" (cause of only about 12 percent of the city's suicides) and its cosmopolitan culture as a cause of high suicide rates.

One factor, he said, may be the high proportion of unmarried individuals in the city, but also significant is San Francisco's small size, giving it room only for densely populated urban neighborhoods, and its high percentage of elderly. Heavy urbanization tends to

raise suicide rates, and people over 65 are known to have the highest suicide rates throughout the country, with the under-24 age group having the lowest rates.

Suicide-Prone Congregate

Kushner, in advancing his theory that immigration feeds suicide rates, argues that moving to a new country or state provides the suicide-prone with a way to resolve their problems. Although the suicide-prone are a small minority of immigrants, they tend to congregate in attractive areas like the West and thus raise the suicide rate — true both today and in the late 19th century, which Kushner has been studying.

The West, Kushner said, has been "the least structured" part of the country in family and social apparatus. At least in the past, "it was possible for an Irish immigrant to go to some neighborhood in New York and somewhat duplicate living in Ireland. It's hard to do that in the West," he said.

Statisticians, cautioning against comparing suicide rates from country to country because of different national systems for collecting the data, But Kushner and others see a significance in the wide differences in the suicide rate for countries such as Ireland (about 9.7 per 100,000 for males 15 years old and over) and Greece (4.6), compared with West Germany (35.8) and Austria (47.4).

Kushner suggests that the emotional Irish wake in which everyone, including children, participates may help people work out their feelings about death and prevent future suicides.

Germanic cultures do not encourage such rituals, Kushner said. He said a German woman once told him, "We Germans were shocked when Jackie Kennedy brought her children to President Kennedy's funeral."

Elderly Suicides

Maris said countries like West Germany and Austria also may have high suicide rates partly because they have a higher proportion of elderly people.

Freudian psychoanalysts have often theorized that early loss of a parent may create feelings that lead to suicide later in life. Although Maris, in a study of 266 suicides in Cook County, Ill., said he found that to be an insignificant factor. More important, affecting about 12 percent of the cases, was a previous suicide by someone in the victim's immediate family.

A nationwide random sample of suicides, with extensive research on their physical condition and emotional history, might provide enough data to settle many of these controversies, Maris said, but such a study "is probably too expensive."

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Unfettered IBM May Be Ready for Expansion

By George Anders

NEW YORK — The Justice Department's decision to drop its 13-year-old antitrust suit against International Business Machines Corp. helps clear the way for IBM's expansion in markets ranging from satellite communications to office automation.

Many people also believe the move is likely to encourage IBM to acquire new technology by acquiring other companies.

For its own part, the eighth largest industrial company in the United States has said very little on the Justice Department decision and the company's plans.

The government's decision gives IBM a freer hand to seek new markets and to build its share of others. Only in the mainframe computer business does IBM remain the dominant company it was when the Justice Department filed its suit in 1969.

In the interim, IBM has faced growing competition in minicomputers and office equipment. Meanwhile, the company is just beginning to explore such fields as telecommunications and robotics.

Areas of Expansion

Now that the antitrust case is dead, competitors and analysts believe IBM is likely to push ahead in:

• **Acquisitions:** IBM has not made a significant acquisition since the mid-1960s, when it bought Science Research Associates Inc. for \$62 million. An IBM spokesman said the company considers its long-standing reliance on growth from within as corporate policy rather than as a condition imposed by the antitrust suit.

Gideon Gartner, president of Gartner

Group, a computer analyst concern in Stamford, Conn., said he does not expect IBM to start "an acquisition binge," but several relatively small purchases are conceivable.

John Imley, chairman of Management Science America Inc., a computer software company, said IBM "could fill gaps" in its product line "very easily" through acquisitions. Speculation focuses on office-products makers and telecommunications companies, rather than on traditional computer areas in which IBM already is the market leader.

• **Office equipment:** IBM has made it clear long before Friday that it will put greater emphasis on office products.

With the end of the antitrust case, Amy Wohl of Advanced Office Concepts said that she expects IBM to pursue "more aggressive pricing," giving discounts to customers who also buy other IBM products.

Word Processors

Word processors are likely to be a big battleground. Wang Laboratories Inc. has made inroads, but IBM has done well with its low-priced displaywriter.

"Wang will feel the pinch," she said, but small makers of word processors and mainframe computer companies who are new to the market are likely to be hardest hit.

IBM's large base of installed big computers gives it an advantage in moving text from mainframe computers to small word processors and back, said Mr. Gartner.

• **Computer services:** After shedding its service bureau division in the early 1970s as part of another antitrust settlement, IBM is expected to return soon to the computer services

area. IBM would not comment, but top officials have said they want to renew service operations at some stage.

Mr. Gartner expects IBM to go slow in computer services. "I don't think IBM feels comfortable here," he said. "There is a lot of room for error."

IBM's entry might take away some market share from service companies like Automatic Data Processing Inc. and Tymshare Inc., said Ulrich Weil, Computer Analyst at Morgan Stanley & Co., but initially it won't be a disastrous blow.

• **Computers:** Analysts believe the mainframe computer industry may be least affected by the dropping of the case.

"IBM's business practices here are already as aggressive as they can afford to be," said Mr. Weil. With rapid new-product development and aggressive pricing, "IBM's been behaving as if there was no antitrust suit for some time," he said. At the end of 1980, IBM had roughly 70 percent of the \$56.7-billion market of installed general-purpose computers.

Companies making computers that are compatible with other IBM equipment, such as AMDahl Corp., "won't be affected at all," he said. For other mainframe companies, such as Sperry Corp., Honeywell Inc., Burroughs Corp., NCR Corp. and Control Data Corp., Mr. Weil said the end of the antitrust case "exacerbates a difficult environment, but won't make them fall out of bed."

Harry Edelson, computer analyst at First Boston Corp., said "those companies have pretty loyal customer bases." He says mini-computer makers such as Wang and Prime Computer Inc. are more threatened.



IBM signed up for the personal computer sweepstakes last August with the introduction of this competitively priced model.

Dow Index Slides On Rate Concerns

From Agency Dispatches

NEW YORK — Prices on the New York Stock Exchange, despite strong early showings by American Telephone & Telegraph and International Business Machines, plunged Monday on investor concerns about rising interest rates. Trading was active.

The Dow Jones industrial average, of which AT&T and IBM are components, fell 16.07 points to close at 850.46, its lowest level since Nov. 19 when it hit 844.75. Declines overwhelmed advances, about 1,350 to 240, as volume swelled to 52 million shares from 42.32 million Friday.

Analysts had expected stocks to rally following Friday's settlement of the long-standing antitrust suit against AT&T and IBM. But a negative outlook for interest rates remained the dominant factor in the market.

"Bad unemployment figures, a huge money supply projection, and a weakening bond market all dragged the market down today," said Chester Pado of G. Tsai.

Mr. Pado said, "The only good thing about today is that we should come into an oversold position fairly rapidly." However, he expects the Dow average to drop into the 840 range before turning back up again.

Monte Gordon of Dreyfus Corp. said investors are concerned that a projected \$3-billion to \$8 billion increase in the money supply will restrict the ability of the Federal Reserve to loosen monetary policy in order to prod the recessionary economy into an upturn. That concern also sent bond prices tumbling.

In Washington, the Fed reported that growth in consumer credit slowed in November, rising \$342 million after \$1.01-billion gain in October.

Shares of AT&T and IBM soared after trading in the stocks resumed following the halt Friday pending news of the settlements. Prices of both stocks rose strongly in European trading.

On the NYSE, AT&T stock opened at 60 1/2, up 1 1/2 on a block of 1.3 million shares — the third most valuable block of stock ever traded on the NYSE and worth \$78.8 million. At the top of the list was a block of 1.87-million Cutler-Hammer shares worth \$103 million traded June 12, 1978. Reliance Group's Feb. 14, 1980 block of 1.4 million shares was worth \$98 million, the second most valuable in history.

IBM opened at 58 1/2, up 1 1/2 with 714,500 shares changing hands.

Both AT&T and IBM were delayed several hours in opening due to an imbalance between buy and sell orders. They must balance for the stocks to trade.

AT&T turnover totaled about 2.6 million shares as it closed at 60 1/2, up 1 1/2. IBM trading was 1.4 million, but the stock suffered with the rest of the market, finishing unchanged at 56 1/2.

Stocks that may be affected by the antitrust settlement were generally lower. GTE fell 1 1/2 to 31 in active trading, and Mtel 2 1/2 to 20 1/2, both in active trading.

Also down were Western Union 3 1/2 to 30 1/2, ITT two to 28 1/2, Teledyne 6 1/2 to 128 1/2 and Rochester Telephone, trading ex-dividend, 2 1/2 to 24 1/2.

Computer stocks also slipped as investors anticipated increased competition from IBM. Digital Equipment lost 3 1/2 to 80 1/2, Honeywell 3 1/2 to 64 1/2, Control Data 1 1/2 to 32 1/2 and Data General 2 1/2 to 50 1/2.

BUSINESS NEWS BRIEFS

VW, Spanish Carmaker Hold Exploratory Talks

MADRID — Spain's largest automaker, Seat, is holding exploratory talks with Volkswagenwerk on a production and distribution agreement, a Seat spokesman said.

He said VW experts are in Spain studying sales and production feasibility. Their findings are expected to be ready in four months. Seat hopes to produce up to 100,000 VW Polo or Derby cars at its Pamplona plant, with 60 percent of that exported through VW's international distribution network, he said.

British Gas Doubles Wytch Farm Oil Estimate

LONDON — British Gas has doubled to 200 million barrels its estimate of proven reserves at the Wytch Farm oilfield in Dorset, England, a company spokesman said.

The government has told the corporation to sell its 50-percent stake in the Wytch Farm oil license; the spokesman said the sale could take place in four or five months, after an independent evaluation of the field.

The spokesman declined to comment on published reports that total recoverable reserves at Wytch Farm could be near 400 million barrels, and that the sale of the corporation's stake could raise £400 million.

Ciba Geigy Earnings Improved in 1981

BASEL — Ciba Geigy earnings improved last year and turnover in most product sectors grew faster than average inflation, President Louis von Planta said in the company's employee newsletter. He was cautious about predicting 1982 results.

The company gained from a weaker Swiss franc in the first and third quarters of the year, he indicated. Consolidated net profit fell to 305 million Swiss francs (\$167.5 million) in 1980 from 327 million, while turnover rose to 11.91 billion francs from 9.89 billion.

Japanese Dealer to Handle BL Mini-1000

TOKYO — Nichiei Jidosha, a Japanese dealer in imported cars, said it will begin selling Mini-1000 Highline cars made by Britain's state-owned BL Ltd. in March.

The company, which will be the sole importer of the model, plans to sell 600 to 700 units a year at 1.82 million yen (\$8,240) each.

Dome Pete to Redeposit \$1.7-Billion Credit

CALGARY — Dome Petroleum said Monday it will draw down the \$1.7-billion line of credit it signed Friday and redeposit the money to earn income. It is using the credit line to help it buy the 47.1 percent of outstanding Hudson's Bay Oil & Gas shares that it does not own.

Hudson's Bay shareholders vote on the offer Wednesday. Under the offer, each Hudson's Bay share would be exchanged for one 10-percent preferred share with a face value of \$75.50 and 1 1/2 warrants to buy Dome shares at \$23.1125 each.

Dome said the credit line does not represent new net borrowings, and it added that the interest it pays on the loan to the 25 participating banks should not be more than 1/2 percent above what it earns on the redeposited funds during the three-year period prior to the retraction of the preferred shares. Dome is expected to repay the loan from oil and gas earnings by the end of 1989.

Price of Gold Slumps \$12 To Lowest in Over 2 Years

LONDON — The price of gold slumped to its lowest level in more than two years on world bullion markets Monday as dealers reported a wave of selling in expectation of even lower prices.

Investors who had expected some market resistance around the \$390-an-ounce level were unsettled by the steep decline. In Zurich, gold fell \$12 from Friday to close at \$387.50 an ounce. In London, gold closed at \$388.50, up from the day's trading low of around \$386 but off from \$400.75 Friday.

Meanwhile, firmer U.S. interest rates and expectations of sharp increases in the money strengthened the dollar, dealers said.

Martin Schubert, president of Rosenthal International Ltd., said "money is flowing out of Europe and into the safe haven U.S. currency, which at the same time is

offering a very attractive interest rate compared to European rates."

Bullion dealers said selling by professional traders and speculators, a price decline on the New York Commodity Exchange on Friday and an absence of heavy buying by central banks and other large holders of gold had combined to push the price lower.

"Gold moved down on professional liquidation, short-selling and the lack of any significant buying by central banks," Mr. Schubert said. "Continued Russian selling and anticipation of higher U.S. interest rates have taken the shine off gold for a while."

The Soviet Union is believed to have stepped up its gold sales as part of its efforts to provide economic aid to Poland and to earn foreign exchange for its own grain imports.

AT&T and IBM: Poised for High-Tech Tangle

By Andrew Pollack

NEW YORK — Utell Friday, American Telephone and Telegraph Co. and International Business Machines Corp. faced a common opponent: the Justice Department. But with the ending of the suits against both companies, the biggest opponents of the two unaged giants could be each other.

AT&T and IBM, sued by the Justice Department after they came to dominate their respective industries, are now finding their businesses rapidly merging and their products overlapping.

IBM, for instance, is a part-owner of Satellite Business Systems, a company that recently began providing, among other services, long-distance telephone transmission. AT&T, for its part, wants to start a computer-to-computer communications network this year.

The competition between AT&T and IBM has been developing slowly. The end of the antitrust suits Friday, analysts said, may al-

Moody's Cautious on AT&T Unit Debt

NEW YORK — The credit quality of American Telephone & Telegraph's telephone operating subsidiaries may be hurt by their divestiture, Moody's Investors Service said Monday.

Moody's said, however, that it would maintain its top triple-A ratings on the subsidiaries' senior debt and the P-1 rating on their commercial paper for the present. The Bell System has about \$47 billion in debt with \$8 billion insured by the parent company itself.

The divestiture of the 22 subsidiaries is required under an agreement between AT&T and the Justice Department, and Moody's said "the settlement may, over the long run, have a negative impact on the credit quality of the telephone operating subsidiaries."

Moody's said it "believes that the absence of the American Telephone umbrella and divergences in local rate regulation will lead to greater differences in credit quality than has been seen in the past."

low the two companies to be more aggressive in entering new businesses, but might not hasten the collision of the two companies.

What is leading to the clash, experts agree, is technology. "The technologies are right on top of each other," said Robert E. La Blanc, an independent consultant who was formerly vice chairman of

word processing and electronic mail," Mr. La Blanc said.

New office automation systems allow office workers to type messages on terminals at their desk and then send the message electronically to another terminal across the room or across the country.

At the same time, the telephone industry is adopting computer technology.

To be sure, the bulk of each company's business is still in its traditional turf and is secure from the other.

"It's not a large intersection today," said Gideon I. Gartner, president of the Gartner Group in Stamford, Conn. "I think people make too much of this issue."

He said that half of IBM's revenues still came from the large mainframe computers. This is a market, he said, where Bell would be unlikely to enter, given the fact that IBM dominates the market.

Most of AT&T's \$50.8 billion in 1980 revenues came from voice

the Continental Telephone Corp. The competition will take place at the points where telephones and computers overlap, in office automation and data communications.

"It's the Fortune 1,000 companies that have 50 or more locations who are today sending around information in little brown envelopes who will be doing it with

EEC Warns of Reaction To U.S. Suits on Steel

From Agency Dispatches

BRUSSELS — A top EEC official warned Monday of a "very strong reaction" to the decision by U.S. steelmakers to file suits charging foreign steel suppliers with illegal trade practices.

Etienne Davignon, the community's industrial affairs commissioner, said the steel issue is likely to deteriorate into a "serious conflict."

The EEC will fight the U.S. steel producers, he warned. "We are in an extremely tense situation. Protectionism is no longer a risk. It is a probability."

Mr. Davignon said EEC industry ministers, who meet informally here Wednesday, would decide on a response to the U.S. suits. The EEC Executive Commission will be making proposals to member-states to cushion steelmakers and workers from the impact of the suits, he added.

His comments came only hours before U.S. Steel, the largest U.S. maker, left 400 packing boxes of papers at the U.S. International Trade Commission in opening the complaint process. Armco, Bethlehem Steel, National Steel, Republic Steel, Inland Steel, Jones & Laughlin Steel and Cyclops Corp. also filed formal complaints with the ITC and the Commerce Department.

The U.S. steel producers had announced last week they would bring antidumping or countervailing duty charges against companies in seven EEC countries — Belgium, Britain, France, Italy, Luxembourg, the Netherlands, and West Germany — as well as Brazil, Romania, South Africa and Spain.

Dumping is the sale of products abroad at prices below production costs. Countervailing duty suits charge foreign steelmakers with receiving unfair government subsidies.

Mr. Davignon said charges that EEC steel firms are selling their products at below cost on the U.S. market are unfounded. He said statistics show exports of EEC steel products covered by the expected U.S. suits dropped to 4.7 percent of the U.S. market last year from 6.7 percent in 1979.

EEC exports to the United States, however, were estimated at 6 million metric tons last year, well above the 3.8 million tons in 1980.

The EEC Commission had consulted with Washington in a bid to head off the threatened suits by U.S. steelmakers. The Commerce Department filed five suits against EEC steel exporters in November in what was seen as an effort to forestall legal action by the companies.

CURRENCY RATES

Interbank exchange rates for Jan. 11, 1982, excluding bank service charges.

Currency	Per U.S.	Currency	Per U.S.	Currency	Per U.S.	Currency	Per U.S.
Amsterdam	2.495	£	1.717	DM	1.717	¥	1.717
Bombay	2.495	₹	1.717	₹	1.717	₹	1.717
Buenos Aires	2.495	₹	1.717	₹	1.717	₹	1.717
Calcutta	2.495	₹	1.717	₹	1.717	₹	1.717
London	1.717	£	1.717	£	1.717	£	1.717
Madras	2.495	₹	1.717	₹	1.717	₹	1.717
Mumbai	2.495	₹	1.717	₹	1.717	₹	1.717
New York	2.495	₹	1.717	₹	1.717	₹	1.717
Paris	2.495	₹	1.717	₹	1.717	₹	1.717
San Francisco	2.495	₹	1.717	₹	1.717	₹	1.717
Singapore	2.495	₹	1.717	₹	1.717	₹	1.717
Tokyo	2.495	₹	1.717	₹	1.717	₹	1.717
Zurich	2.495	₹	1.717	₹	1.717	₹	1.717
ECU	1.717	₹	1.717	₹	1.717	₹	1.717

Currency	Per U.S.	Currency	Per U.S.	Currency	Per U.S.	Currency	Per U.S.
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717
₹	1.717	₹	1.717	₹	1.717	₹	1.717

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Tables include the nationwide prices up to the closing on Wall Street.

1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382</
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Jesus Jeans Give Turin Firm Cash For Expansion

By John Tagliabue
New York Times Service

TURIN — In 1980, a cluttered little Italian apparel company became an official sponsor of America's Olympic track team and also signed a contract to build a factory outside Moscow to sew jeans for Russian youth. By any standard, Magificio Calificio Torinese, a little company that works out of a drab stucco factory in an industrial neighborhood of Turin, is extremely unusual.

The money for most of this activity, the owner said, came from selling dungarees called Jesus Jeans. This irreverent venture has brought the company storms of protest in many countries, even driving it out of some markets.

Largely as a result of the furor, Magificio is building its expansion through its new Kappa line of sportswear in the United States and elsewhere, and has limited sales of the Jesus line. Jesus Jeans are now sold only in Italy, Greece and Spain.

Magificio, though it has only 800 employees and yearly sales of about \$75 million, is one of a group of small apparel companies that are eager to diversify.

Move to 'Active Wear'

Once noted almost exclusively for things like Gucci shoes and Giorgio Armani clothes, Italian apparel has moved into the world market with modern mixtures of sportswear and leisure clothing that the industry likes to call "active wear," and which is expected to remain one of the fastest-growing apparel markets in the 1980s.

Magificio's vice president and chief operating officer, Maurizio Vitale, a small, chunky man, acknowledges that it was the colorful and controversial Jesus Jeans that got the ball rolling.

In 1970, the company, which had been known until then as a somewhat staid maker of men's briefs and T-shirts, papered Italy with an advertising campaign showing a rear view of a young girl in a tight-fitting pair of the company's new Jesus Jeans that had been cut very short. The ad, echoing the New Testament, said, "He who loves me, follows me."

Protests by Clergy

"We were not out looking for a scandal," Mr. Vitale, 36, said during a recent interview in his Turin office. "It's just that it was the late 1960s and Jesus was emerging increasingly as a sort of cult figure. There was the Jesus generation, and 'Jesus Christ Superstar.' There was this enormous protest, in Italy and around the world, and Jesus looked to a lot of people like the biggest protester ever."

Despite sharp protests from some Roman Catholic clergymen, the idea caught on. Today, jeans and jackets under the Jesus brand name account for about 40 percent of total sales, Mr. Vitale said.

But results were far more uneven when the company decided to move its product abroad.

"It's funny, we had no trouble in the Mediterranean countries, but the biggest resistance came in the Protestant countries, in North America and northern Europe," Mr. Vitale said.

Gesu Jeans?

Indeed, Jesus Jeans were introduced to the United States with ads similar to those used in Italy, but protests from clergymen of all faiths led the company to slow down its sales campaign.

"I think it had to do with how different peoples associate ideas," Mr. Vitale said, venturing an explanation for the failure. "If we called those jeans say, 'Gesù,' in Italy, using the Italian name, 'you can be sure the protest would have been loud here, too. But people saw the English name of Jesus, and they didn't think of religion, they thought of protest, and of the Jesus freaks."

The company was founded in 1916 by Mr. Vitale's father and several other men; its three major divisions today specialize in men's underwear, jeans and sportswear such as tennis outfits and jogging suits.

The company also manufactures a small collection of women's swimwear under the brand name Beatrix. Giuseppe Lattes, 68, is the company's president, but Mr. Vitale runs the day-to-day business.

After Jesus Jeans, Mr. Vitale focused increasingly on sportswear and active wear, and the rapid growth of these products increased total sales to \$60 million in 1980 from \$45 million in 1979. In 1982, Mr. Vitale said, he expects sales of \$100 million. He did not disclose the company's earnings.

There are four plants in Italy, and a fifth is planned. In addition, the company manufactures under license at two plants in Spain and one in Greece, to avoid high import tariffs in those countries.

Early last year, the U.S. subsidiary, Kappa Sport, began manufacturing sportswear at a leased plant in Charlotte, N.C. That venture, and the decision to sponsor the U.S. Olympic track and field team, underline Mr. Vitale's vibrant interest in the American market.

The Olympic agreement involves a commitment to deliver money and sportswear in return for the right to be an official sponsor of the team. The eight-year pact includes the teams that will participate in the Olympic Games in Los Angeles in 1984 and in Seoul in 1988.

But IBM has told other computer makers how to allow their computers to talk to IBM machines. That will weaken the impact of AT&T's service, Mr. Gartner said.

Slow Start

IBM, meanwhile, joined in forming Satellite Business Systems, which is geared mainly to high-speed data transmission to allow large corporations to send documents back and forth.

It will also compete with AT&T in offering video teleconferencing, a service that allows executives in different cities to hold meetings in which they can hear and see each other. So far, however, SBS has not found a big market for its fledgling data service, which is part of the reason it has turned to offering voice communications.

In a pure size matchup, AT&T, even after divestiture, will have an edge over IBM. Based on very rough estimates of AT&T, the new company left after divestiture would have \$45 billion to \$57 billion in assets, compared with \$26.7 billion for IBM at the end of 1980.

The smaller AT&T would have had an estimated \$30 billion to \$35 billion in 1980 revenues, compared with IBM's \$26.2 billion in 1980.

Monopoly Status

However, AT&T, despite its size, has been a monopoly. It has not had to innovate its product line or compete for sales as aggressively as IBM. The phone company, in fact, recruited an IBM official, Archie J. McGill, to help turn

the monopoly's marketing force into a more aggressive one.

"AT&T and IBM, from a quality and marketing and systems point of view, are like day and night," Mr. Gartner said. "IBM is a higher-quality company than AT&T. They have a killer instinct."

As well, the two companies will not be the only ones competing in the combined computer and communications market, which now measures more than \$100 billion. Numerous others, such as Xerox, General Telephone & Electronics,

Digital Equipment and dozens of smaller companies are all converging on the market.

In addition, it is apparent that the Japanese could be a bigger threat to both IBM and AT&T than either American company is to the other. The Japanese are already, for instance, making inroads on IBM's computer market, while Bell is hardly out the door.

"I view Japan Inc. as a very strong competitor in this area," James E. Olson, vice chairman of AT&T, said Sunday. "They're here in spades."

That service would take a swipe at IBM's dominance of the computer market because it would allow users to choose equipment made by IBM competitors and still be able to communicate with IBM computers. IBM has its own procedures for computer-to-computer communication and, because it dominates the computer market, it has a lot of power in determining communications standards.

price plus a very small premium which covers minting and distribution costs.

Some of the premium is even recoverable on resale. Consequently, a minimum rise in the price of gold means you show immediate profit.

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investments around. You can follow their value by checking the daily gold price, and some newspapers even publish daily Krugerrand prices.

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Harvester to Continue Cutback in Operations

The Associated Press

CHICAGO — International Harvester Co., struggling to overcome \$1.1 billion in losses during the past two years, said Monday it will sharply trim its operations in hopes of turning a profit by the second quarter of its fiscal year.

Archie R. McCardell, chairman and chief executive officer, said the cutbacks will be severe enough to overcome a potential continuing decline in industry-wide sales of farm equipment, trucks and construction machinery.

As a part of the cutbacks, the company plans to reduce its salaried employees to 20,000 from 26,700 on Oct. 31, to realize savings of \$200 million this year, according to spokesman Bill Colwell. He said the complete extent of plant closings and job losses is still unknown.

Mr. McCardell said Harvester is not counting on some economists' expectations of an improvement in business, and instead is basing its plans on another 10- to 15-percent decrease in demand in 1982.

International Harvester recently completed a \$4.2-billion restructuring of its debt, and the willingness of banks to go along with the refinancing brought expectations that the company would have to get rid of some of its less profitable operations and take other cost-cutting measures.

Non-Oil Profit Up Sharply in U.K.

Reuters

LONDON — Gross profits of industrial and commercial companies other than North Sea gas and oil rose sharply in last year's third quarter, the Central Statistical Office said.

Those industries' profits rose to \$4.3 billion from \$3.8 billion in the second quarter and \$3.7 billion in the first. Gross profits of North Sea oil and gas industries rose to \$2.5 billion in the third quarter from \$2.3 billion and \$2.1 billion.

Total adjusted personal income was up 3 percent in the third quarter from the second quarter and rose 9 percent from third-quarter 1980. But living standards, as measured by real disposable income, increased in the third quarter by only 0.5 percent over the previous quarter, the statistical office said.

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This announcement appears as a matter of record only

BANCO URQUIJO, S.A.

560,000 shares of Pts 1000 each par value
evidenced by International Depositary Receipts

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by

Lazard Brothers & Co., Limited

and placed privately with institutions in the United Kingdom

Stockbrokers to Banco Urquijo, S.A.:
E. B. Savory, Millin & Co.

Depository:
Morgan Guaranty Trust Company
of New York

London, December 1981

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Padaeng Industry Company, Limited

US\$20,000,000

Term Loan

for the

Zinc Refinery at Tak, Thailand

Jointly and Severally Guaranteed by

Bangkok Bank Limited

Krung Thai Bank Limited

Managed by

BankAmerica International Group

Provided by

BA Asia Limited

Mitsui Trust Finance (Hong Kong) Limited

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